



MORTGAGE BANKERS ASSOCIATION

December 19, 2017

The Honorable Paul Ryan
Speaker of the House
United States House of Representatives
H-232, The Capitol
Washington, D.C. 20515

The Honorable Mitch McConnell
Majority Leader
United States Senate
S-230, The Capitol
Washington, D.C. 20510

The Honorable Nancy Pelosi
Minority Leader
United States House of Representatives
H-204, The Capitol
Washington, D.C. 20515

The Honorable Chuck Schumer
Minority Leader
United States Senate
S-221, The Capitol
Washington, D.C. 20510

The Honorable Kevin Brady
Chairman
House Ways and Means Committee
United States House of Representatives
1011 Longworth House Office Building
Washington, D.C. 20515

The Honorable Orrin Hatch
Chairman
Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Richard Neal
Ranking Member
House Ways and Means Committee
United States House of Representatives
341 Cannon House Office Building
Washington, D.C. 20515

The Honorable Ron Wyden
Ranking Member
Committee on Finance
United States Senate
221 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Speaker Ryan, Leader McConnell, Leader Pelosi, Leader Schumer, Chairman Brady, Ranking Member Neal, Chairman Hatch, and Ranking Member Wyden:

On behalf of the Mortgage Bankers Association (MBA), I wish to thank the conferees assigned by both the House and Senate for reaching agreement on H.R. 1, the *Tax Cuts and Jobs Act*. MBA continues to support the goal of enacting tax legislation that spurs jobs and economic growth – and the conference agreement represents an important and necessary step toward that goal.

We recognize and appreciate that the agreement will provide both homeowners and renters with more “take home” pay by lowering overall tax rates and nearly doubling the standard deduction. We are also pleased that the conference committee preserved the option of deductibility of up to \$10,000 in property taxes. As the bill proceeds to final passage, we

are pleased as well that the conference agreement preserves the mortgage interest deduction for both first and second homes – and are particularly glad that it preserves current law allowing homeowners to exclude up to \$500,000 of the gain on the sale of a principal residence.

MBA is also very pleased that the bill preserves business interest deductibility for real estate, as well as Section 1031 like-kind exchanges for real property. Continued deductibility of business interest for real estate will ensure that the cost of financing remains affordable and real estate activity remains a vibrant portion of the economy. The current utilization of Section 1031 provides benefits that help promote ongoing investment patterns within local real estate markets, which, in turn, provides the foundation for economic growth.

We are also heartened that the final bill preserves other key real estate investment incentives, including the Low-Income Housing Tax Credit (LIHTC) and the tax-exempt status for private activity bonds (PABs), as these provisions – in combination – help ensure the continued development of affordable multifamily housing, as well as access to affordable mortgage credit.

The mortgage industry includes many small businesses that could benefit from the bill's treatment of business income. The MBA asks that the IRS act to quickly publish regulations regarding this new business deduction.

Finally, the real estate finance industry is extremely grateful that the conference agreement incorporates an amendment to Section 13221 of the original Senate-passed bill offered by Senator Mike Rounds to create an exception for “any item of gross income in connection to a mortgage servicing contract.” Had this language not been included, the change in tax accounting for mortgage servicing rights would have had a devastating impact on the flow of capital that supports a robust and competitive real estate finance market, both single-and commercial/multifamily.

In conclusion, MBA again thanks the House and Senate conferees for their work to help advance comprehensive tax legislation. We stand ready to continue working with the Congress and the administration as this legislation is implemented to ensure that Americans, whether they own or rent, continue to have access to affordable and sustainable housing.

Sincerely,

A handwritten signature in black ink, appearing to read "D.H. Stevens", with a stylized flourish at the end.

David H. Stevens, CMB
President and Chief Executive Officer

cc: All Members, United States House of Representatives
All Members, United States Senate